



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE
Priority Health

NAIC Group Code	3383 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	95561	Employer's ID Number	38-2715520
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Dental Service Corporation []	
	Vision Service Corporation []		Other []		Health Maintenance Organization [X]	
	Hospital, Medical & Dental Service or Indemnity []		Is HMO, Federally Qualified? Yes [] No [X]			
Incorporated	03/07/1986		Commenced Business		10/15/1986	
Statutory Home Office	1231 East Beltline <small>(Street and Number)</small>			Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	1231 East Beltline <small>(Street and Number)</small>			616-942-0954 <small>(Area Code) (Telephone Number)</small>		
	Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>			616-942-0954 <small>(Area Code) (Telephone Number)</small>		
Mail Address	1231 East Beltline <small>(Street and Number or P.O. Box)</small>			Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records	1231 East Beltline <small>(Street and Number)</small>			616-464-8235 <small>(Area Code) (Telephone Number)</small>		
	Grand Rapids, MI 49525-4501 <small>(City or Town, State and Zip Code)</small>			616-464-8235 <small>(Area Code) (Telephone Number)</small>		
Internet Website Address	www.priority-health.com					
Statement Contact	Malcolm Hall <small>(Name)</small>			616-464-8235 <small>(Area Code) (Telephone Number) (Extension)</small>		
	malcolm.hall@priority-health.com <small>(E-mail Address)</small>			616-942-7916 <small>(FAX Number)</small>		
Policyowner Relations Contact				616-942-1221 <small>(Area Code) (Telephone Number) (Extension)</small>		

OFFICERS

Chief Executive Officer	Kimberly K Horn	Chief Financial Officer	Dennis J Reese
Secretary	Judith W Hooyenga #		

VICE PRESIDENTS

Dennis J Reese	Judith W Hooyenga #
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DIRECTORS OR TRUSTEES

Richard C. Breon	Marilyn M Brown	Gaylen J Byker
James H Childress	Dale A Dykema	Michael P Freed
Jon M Gans	David E Gast	Gail D Gwizdala
Jody D Handy	Edward A Higuera	Nicholas P Kokx
Lynn M Kotecki	Steve R Lasater	Thomas R Macholan
Charles E McCallum	George N Monsma	Shelley E Padnos
Timothy V Smith	Hilary F Snell	Luis A Tomatis
Dennis P Vanderlind		

State ofMichigan..... } ss
County ofKent..... }

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Kimberly K Horn Chief Executive Officer	Dennis J Reese Chief Financial Officer	Judith W Hooyenga Secretary
--------------------------------------------	-------------------------------------------	--------------------------------

Subscribed and sworn to before me this
28th day of February, 2003,
2003

Stacey Koning
Notary
08/26/2004

- a. Is this an original filing?Yes [X] No []
- b. If no
1. State the amendment number
2. Date filed02/28/2003
3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds	41,313,772		41,313,772	15,435,363
2. Stocks:				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	0		0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)	714,177		(a) 714,177	874,229
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$49,538,091 , Schedule E - Part 1) and short-term investments (\$29,599,726 , Schedule DA - Part 2)	79,137,817		79,137,817	94,777,324
6. Other long-term invested assets	3,520,750		3,520,750	0
7. Receivable for securities			0	0
8. Aggregate write-ins for invested assets	15,000	15,000	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8)	124,701,516	15,000	124,686,516	111,086,916
10. Accident and health premiums due and unpaid	15,724,154	2,752,524	12,971,630	5,736,973
11. Health care receivables	10,323,320	1,538,810	8,784,510	7,409,450
12. Amounts recoverable from reinsurers			0	0
13. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
14. Investment income due and accrued	722,964		722,964	670,503
15. Amounts due from parent, subsidiaries and affiliates	2,670,876		2,670,876	0
16. Amounts receivable relating to uninsured accident and health plans			0	0
17. Furniture and equipment	1,319,317	1,319,317	0	0
18. Amounts due from agents			0	0
19. Federal and foreign income tax recoverable and interest thereon (including \$net deferred tax asset)			0	0
20. Electronic data processing equipment and software	590,938		590,938	1,860,539
21. Other nonadmitted assets			0	0
22. Aggregate write-ins for other than invested assets	879,132	879,132	0	0
23. Total assets (Lines 9 plus 10 through 22)	156,932,217	6,504,783	150,427,434	126,764,381
DETAILS OF WRITE-INS				
0801. LT investment in Michigan Affiliated Health Plan.....	15,000	15,000	0	0
0802.				
0803.				
0898. Summary of remaining write-ins for Line 8 from overflow page	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898)(Line 8 above)	15,000	15,000	0	0
2201. Goodwill.....	537,708	537,708	0	0
2202. Prepaid Expenses.....	341,424	341,424	0	0
2203.			0	0
2298. Summary of remaining write-ins for Line 22 from overflow page	0	0	0	0
2299. Totals (Lines 2201 thru 2203 plus 2298)(Line 22 above)	879,132	879,132	0	0

(a) \$ health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$1,083,813 reinsurance ceded)	51,728,783	8,011,872	59,740,655	61,814,793
2. Accrued medical incentive pool and bonus payments	14,052,199		14,052,199	11,609,422
3. Unpaid claims adjustment expenses	950,302	147,185	1,097,487	0
4. Aggregate policy reserves			0	0
5. Aggregate claim reserves			0	0
6. Premiums received in advance	10,192,198		10,192,198	6,332,910
7. General expenses due or accrued	1,036,550		1,036,550	1,930,922
8. Federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)) (including \$ net deferred tax liability)			0	0
9. Amounts withheld or retained for the account of others			0	0
10. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
11. Amounts due to parent, subsidiaries and affiliates	2,404,776		2,404,776	730,826
12. Payable for securities			0	0
13. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
14. Reinsurance in unauthorized companies			0	0
15. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
16. Liability for amounts held under uninsured accident and health plans			0	0
17. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
18 Total liabilities (Lines 1 to 17).....	80,364,808	8,159,057	88,523,865	82,418,873
19. Common capital stock	XXX	XXX	10,524	10,524
20 Preferred capital stock	XXX	XXX		0
21. Gross paid in and contributed surplus	XXX	XXX	29,760,771	24,448,572
22. Surplus notes	XXX	XXX	0	0
23. Aggregate write-ins for other than special surplus funds	XXX	XXX	1,000,000	1,000,000
24. Unassigned funds (surplus)	XXX	XXX	31,132,274	18,886,412
25. Less treasury stock, at cost:				
25.1 .....shares common (value included in Line 19 \$)	XXX	XXX		0
25.2 .....shares preferred (value included in Line 20 \$)	XXX	XXX		0
26. Total capital and surplus (Lines 19 to 24 Less 25)	XXX	XXX	61,903,569	44,345,508
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	150,427,434	126,764,381
DETAILS OF WRITE-INS				
1701. Other Accrued Expenses.....	0		0	0
1702.				
1703.				
1798. Summary of remaining write-ins for Line 17 from overflow page	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	0	0	0	0
2301. Appropriated Retained Earnings.....	XXX	XXX	1,000,000	1,000,000
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	1,000,000	1,000,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	3,467,361	3,081,011
2. Net premium income	XXX	606,858,726	473,735,918
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Total revenues (Lines 2 to 6)	XXX	606,858,726	473,735,918
Medical and Hospital:			
8. Hospital/medical benefits		363,501,816	280,809,459
9. Other professional services		821,704	945,156
10. Outside referrals		20,675,709	19,387,606
11. Emergency room and out-of-area		21,921,285	27,159,572
12. Prescription Drugs		132,016,611	
13. Aggregate write-ins for other medical and hospital	0	0	91,864,512
14. Incentive pool and withhold adjustments			0
15. Subtotal (Lines 8 to 14)	0	538,937,125	420,166,305
Less:			
16. Net reinsurance recoveries		196,293	183,548
17. Total medical and hospital (Lines 15 minus 16)	0	538,740,832	419,982,757
18. Claims adjustment expenses		13,110,171	6,623,986
19. General administrative expenses.....		42,956,275	37,469,528
20. Increase in reserves for accident and health contracts			0
21. Total underwriting deductions (Lines 17 through 20)	0	594,807,278	464,076,271
22. Net underwriting gain or (loss) (Lines 7 minus 21)	XXX	12,051,448	9,659,647
23. Net investment income earned		4,183,633	3,967,715
24. Net realized capital gains or (losses)		(790,833)	129,806
25. Net investment gains or (losses) (Lines 23 + 24)	0	3,392,800	4,097,521
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
27. Aggregate write-ins for other income or expenses	0	304,130	112,151
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)	0	15,748,378	13,869,319
29. Federal and foreign income taxes incurred	XXX		0
30. Net income (loss) (Lines 28 minus 29)	XXX	15,748,378	13,869,319
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
1301. Pharmacy Expenses.....			91,864,512
1302.			0
1303.			0
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	91,864,512
2701. COB & Subrogation.....		304,130	112,151
2702.			0
2703.			0
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	304,130	112,151

CAPITAL AND SURPLUS ACCOUNT

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
31. Capital and surplus prior reporting year	44,345,508	25,856,816
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
32. Net income or (loss) from Line 30	15,748,378	13,869,319
33. Change in valuation basis of aggregate policy and claim reserve		0
34. Net unrealized capital gains and losses	(260,202)	(241,177)
35. Change in net unrealized foreign exchange capital gain or (loss)	0	0
36. Change in net deferred income tax		0
37. Change in nonadmitted assets	(2,763,052)	(1,135,075)
38. Change in unauthorized reinsurance	0	0
39. Change in treasury stock		0
40. Change in surplus notes	0	0
41. Cumulative effect of changes in accounting principles		0
42. Capital Changes:		
42.1 Paid in		214
42.2 Transferred from surplus (Stock Dividend)		0
42.3 Transferred to surplus		0
43. Surplus adjustments:		
43.1 Paid in	5,312,184	5,121,182
43.2 Transferred to capital (Stock Dividend)		0
43.3 Transferred from capital		0
44. Dividends to stockholders		0
45. Aggregate write-ins for gains or (losses) in surplus	(479,250)	0
46. Net change in capital & surplus (Lines 32 to 45)	17,558,058	17,614,463
47. Capital and surplus end of reporting year (Line 31 plus 46)	61,903,566	43,471,279
DETAILS OF WRITE-INS		
4501. Gain/(Loss) in Affiliates.....	(479,250)	0
4502.		
4503.		
4598. Summary of remaining write-ins for Line 45 from overflow page	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)	(479,250)	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums and revenues collected net of reinsurance	596,939,924	471,530,014
2. Claims and claims adjustment expenses	549,287,389	417,163,881
3. General administrative expenses paid	42,450,677	38,177,015
4. Other underwriting income (expenses)	0	0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	5,201,858	16,189,118
6. Net investment income	3,587,398	4,222,438
7. Other income (expenses)	0	0
8. Federal and foreign income taxes (paid) recovered	0	0
9. Net cash from operations (Lines 5 to 8)	8,789,256	20,411,556
Cash from Investments		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	10,559,797	2,454,905
10.2 Stocks	0	0
10.3 Mortgage loans	0	0
10.4 Real estate	0	0
10.5 Other invested assets	0	0
10.6 Net gains or (losses) on cash and short-term investments	(873,454)	73,408
10.7 Miscellaneous proceeds	0	0
10.8 Total investment proceeds (Lines 10.1 to 10.7)	9,686,343	2,528,313
11. Cost of investments acquired (long-term only):		
11.1 Bonds	36,561,040	10,966,971
11.2 Stocks	0	0
11.3 Mortgage loans	0	0
11.4 Real estate	0	56,420
11.5 Other invested assets	4,000,000	0
11.6 Miscellaneous applications	0	0
11.7 Total investments acquired (Lines 11.1 to 11.6)	40,561,040	11,023,391
12. Net Cash from investments (Line 10.8 minus Line 11.7)	(30,874,697)	(8,495,078)
Cash from Financing and Miscellaneous Sources		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in	5,312,184	5,121,396
13.2 Net transfers from affiliates	0	4,848,805
13.3 Borrowed funds received	0	0
13.4 Other cash provided	2,508,810	5,991,838
13.5 Total (Lines 13.1 to 13.4)	7,820,994	15,962,039
14. Cash applied:		
14.1 Dividends to stockholders paid	0	0
14.2 Net transfers to affiliates	0	0
14.3 Borrowed funds repaid	0	0
14.4 Other applications	1,375,060	1,239,555
14.5 Total (Lines 14.1 to 14.4)	1,375,060	1,239,555
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	6,445,934	14,722,484
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(15,639,507)	26,638,962
17. Cash and short-term investments:		
17.1 Beginning of year	94,777,324	68,138,362
17.2 End of year (Line 16 plus Line 17.1)	79,137,817	94,777,324

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other
1. Net premium income	606,858,726	575,742,713							30,540,647				575,366
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of \$													
medical expenses)	0												
4. Risk revenue.....	0												
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Total revenues (Lines 1 to 5).....	606,858,726	575,742,713	0	0	0	0	0	0	30,540,647	0	0	0	575,366
7. Medical/hospital benefits	363,501,816	347,749,144							15,552,644				200,028
8. Other professional services	821,704	618,573							197,536				5,594
9. Outside referrals	20,675,709	19,170,065							1,471,199				34,444
10. Emergency room and out-of-area	21,921,285	19,446,480							2,441,862				32,943
11. Prescription Drugs	132,016,611	123,848,819							8,045,288				122,504
12. Aggregate write-ins for other medical and hospital	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Incentive pool and withhold adjustments	0												
14. Subtotal (Lines 7 to 13)	538,937,125	510,833,081	0	0	0	0	0	0	27,708,531	0	0	0	395,513
15. Net reinsurance recoveries	196,294	196,294											
16. Total medical and hospital (Lines 14 minus 15)	538,740,831	510,636,787	0	0	0	0	0	0	27,708,531	0	0	0	395,513
17. Claims adjustment expenses	13,110,171	12,061,357							986,610				62,204
18. General administrative expenses	42,956,275	39,606,009							3,265,303				84,963
19. Increase in reserves for accident and health contracts	0												
20. Total underwriting deductions (Lines 16 to 19)	594,807,277	562,304,153	0	0	0	0	0	0	31,960,444	0	0	0	542,680
21. Total underwriting gain or (loss) (Line 6 minus Line 20)	12,051,449	13,438,560	0	0	0	0	0	0	(1,419,797)	0	0	0	32,686
DETAILS OF WRITE-INS													
0501.													
0502.													
0503.													
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	0
1201.													
1202.													
1203.													
1298. Summary of remaining write-ins for Line 12 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
1299. Totals (Lines 1201 thru 1203 plus 1298) (Line 12 above)	0	0	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (medical and hospital)	577,022,459		1,279,746	575,742,713
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan Premiums .....				.0
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....	30,657,167		116,520	30,540,647
8. Other	578,191		2,825	575,366
9. Totals	608,257,817	0	1,399,091	606,858,726

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct	517,594,173	485,398,955						32,195,218	
1.2 Reinsurance assumed .....	.0								
1.3 Reinsurance ceded .....	.0								
1.4 Net	517,594,173	485,398,955	.0	.0	.0	.0	.0	32,195,218	.0
2. Paid medical incentive pools and bonuses	19,680,532	17,359,548						2,320,984	
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	60,824,468	59,288,433	.0	.0	.0	.0	.0	1,536,035	.0
3.3 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3 Reinsurance ceded	1,083,813	1,083,813	.0	.0	.0	.0	.0	.0	.0
3.4 Net	59,740,655	58,204,620	.0	.0	.0	.0	.0	1,536,035	.0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct .....	.0	.0						.0	
4.2 Reinsurance assumed .....	.0								
4.3 Reinsurance ceded .....	.0								
4.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. Accrued medical incentive pools and bonuses, current year	14,052,199	14,108,547						(56,348)	
6. Amounts recoverable from reinsurers December 31, current year .....	.0								
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	62,587,289	56,951,280	.0	.0	.0	.0	.0	5,636,009	.0
7.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.3 Reinsurance ceded	772,496	772,496	.0	.0	.0	.0	.0	.0	.0
7.4 Net	61,814,793	56,178,784	.0	.0	.0	.0	.0	5,636,009	.0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
9. Accrued medical incentive pools and bonuses, prior year	11,609,422	10,538,401						1,071,021	
10. Amounts recoverable from reinsurers December 31, prior year	0								
11. Incurred Benefits:									
11.1 Direct	515,831,352	487,736,108	.0	.0	.0	.0	.0	28,095,244	.0
11.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.3 Reinsurance ceded	311,317	311,317	0	0	0	0	0	0	0
11.4 Net	515,520,035	487,424,791	0	0	0	0	0	28,095,244	0
12. Incurred medical incentive pools and bonuses	22,123,309	20,929,694	0	0	0	0	0	1,193,615	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1. Direct	9,887,063	9,887,063						.0	
1.2. Reinsurance assumed .....	.0								
1.3. Reinsurance ceded .....	.0								
1.4. Net	9,887,063	9,887,063	.0	.0	.0	.0	.0	.0	.0
2. Incurred but Unreported:									
2.1. Direct	50,273,194	48,737,159						1,536,035	
2.2. Reinsurance assumed .....	.0								
2.3. Reinsurance ceded	1,083,813	1,083,813							
2.4. Net	49,189,381	47,653,346	.0	.0	.0	.0	.0	1,536,035	.0
3. Amounts Withheld from Paid Claims and Capitations:									
3.1. Direct	664,211	664,211							
3.2. Reinsurance assumed .....	.0								
3.3. Reinsurance ceded .....	.0								
3.4. Net	664,211	664,211	.0	.0	.0	.0	.0	.0	.0
4. TOTALS:									
4.1. Direct	60,824,468	59,288,433	.0	.0	.0	.0	.0	1,536,035	.0
4.2. Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3. Reinsurance ceded	1,083,813	1,083,813	.0	.0	.0	.0	.0	.0	.0
4.4. Net	59,740,655	58,204,620	0	0	0	0	0	1,536,035	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (medical and hospital)	41,997,794	443,401,161	644,355	57,560,265	42,642,149	56,464,465
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid.....	4,251,798	27,943,420	100,849	1,435,186	4,352,647	5,350,328
8. Other					0	0
9. Subtotal	46,249,592	471,344,581	745,204	58,995,451	46,994,796	61,814,793
10. Medical incentive pools, accruals and disbursements	17,488,549	2,191,982		14,052,199	17,488,549	11,609,422
11. Totals	63,738,141	473,536,563	745,204	73,047,650	64,483,345	73,424,215

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS
(000 Omitted)

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	13,922	207	14	.9	
2. 1998	109,124	17,214	366	27	
3. 1999	XXX	170,367	33,696	453	(9)
4. 2000	XXX	XXX	228,493	34,637	513
5. 2001	XXX	XXX	XXX	286,969	42,691
6. 2002	XXX	XXX	XXX	XXX	442,097

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	13,922	207	14	.9	
2. 1998	109,125	17,217	366	27	
3. 1999	XXX	170,405	33,766	453	(2)
4. 2000	XXX	XXX	228,973	40,334	582
5. 2001	XXX	XXX	XXX	328,475	43,272
6. 2002	XXX	XXX	XXX	XXX	444,534

[illegible]

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Section A - Paid Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	283	14	0	0	
2. 1998	8,006	1,970	111	0	
3. 1999	XXX	21,595	5,360	121	5,492
4. 2000	XXX	XXX	34,776	5,078	26,387
5. 2001	XXX	XXX	XXX	40,490	4,398,233
6. 2002	XXX	XXX	XXX	XXX	23,693,970

[illegible]

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Section A - Paid Claims- Grand Total

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	14,205	221	14	9	0
2. 1998	117,131	19,187	477	27	0
3. 1999	XXX	192,000	39,126	574	5,490
4. 2000	XXX	XXX	263,749	45,412	26,969
5. 2001	XXX	XXX	XXX	368,965	4,441,505
6. 2002	XXX	XXX	XXX	XXX	24,138,504

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)									
5. Aggregate write-ins for other policy reserves									
6. Totals (Gross)									
7. Reinsurance ceded									
8. Totals (Net)(Page 3, Line 4)									
CLAIM RESERVE									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (Gross)									
13. Reinsurance ceded									
14. Totals (Net)(Page 3, Line 5)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. TOTALS (Lines 0501 thru 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above)									

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administration Expenses	3 Investment Expenses	4 Total
1. Rent (\$ for occupancy of own building).....	144,863	2,241,682		2,386,545
2. Salaries, wages and other benefits.....	12,081,792	12,693,928		24,775,720
3. Commissions (less \$ ceded plus \$ assumed).....		11,840,801		11,840,801
4. Legal fees and expenses.....	383	112,132		112,515
5. Certifications and accreditation fees.....				.0
6. Auditing, actuarial and other consulting services.....	21,273	924,181		945,454
7. Traveling expenses.....	2,190	293,722		295,912
8. Marketing and advertising.....	3,452	591,678		595,130
9. Postage, express and telephone.....	34,885	1,189,157		1,224,042
10. Printing and office supplies.....	67,613	1,479,596		1,547,209
11. Occupancy, depreciation and amortization.....	211,197	2,285,217		2,496,414
12. Equipment.....	20,050	3,213,898		3,233,948
13. Cost or depreciation of EDP equipment and software.....				.0
14. Outsourced services including EDP, claims, and other services.....	460,629	3,601,358		4,061,987
15. Boards, bureaus and association fees.....				.0
16. Insurance, except on real estate.....	46	35,243		35,289
17. Collection and bank service charges.....	91	30,125		30,216
18. Group service and administration fees.....	1,570	434,649		436,219
19. Reimbursements by uninsured accident and health plans.....				.0
20. Reimbursements from fiscal intermediaries.....				.0
21. Real estate expenses.....				.0
22. Real estate taxes.....				.0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....				.0
23.2 State premium taxes.....				.0
23.3 Regulatory authority licenses and fees.....				.0
23.4 Payroll taxes.....	54,677	1,481,194		1,535,871
23.5 Other (excluding federal income and real estate taxes).....	5,460	507,714		513,174
24. Investment expenses not included elsewhere.....				.0
25. Aggregate write-ins for expenses.....	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	13,110,171	42,956,275	.0 (a)	56,066,446
27. Add expenses unpaid December 31, prior year.....		530,952		530,952
28. Less expenses unpaid December 31, current year.....	1,097,487	1,036,550		2,134,037
29. Amounts receivable related to uninsured accident and health plans, prior year.....				.0
30. Amounts receivable related to uninsured accident and health plans, current year.....				.0
31. Total expenses paid (Lines 26 + 27 - 28 - 29 + 30)	12,012,684	42,450,677	0	54,463,361
DETAIL OF WRITE-INS				
2501.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	0	0	0	0

(a) Includes management fees of \$43,423,359 to affiliates and \$0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....1,374,300	.....2,096,957
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....	.....
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans.....	.....	.....
6.	Cash/short-term investments	(e) .....2,213,098	.....2,086,676
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	3,587,398	.....4,183,633
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total (Lines 11 through 15) .....		.....0
17.	Net Investment Income - (Line 10 minus Line 16)		4,183,633
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0
1501.	.....		.....
1502.	.....		.....
1503.	.....		.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

(a) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued interest on purchases.
(b) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued dividends on purchases.
(c) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued interest on purchases.
(d) Includes \$for company's occupancy of its own buildings; and excludes \$interest on encumbrances.
(e) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued interest on purchases.
(f) Includes \$accrual of discount less \$amortization of premium.
(g) Includes \$investment expenses and \$investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$interest on surplus notes and \$interest on capital notes.
(i) Includes \$depreciation on real estate and \$depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds	82,621				82,621
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)					0
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)					0
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)					0
2.21	Common stocks of affiliates					0
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/Short-term investments	(873,454)				(873,454)
7.	Derivative instruments					0
8.	Other invested assets					0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	(790,833)	0	0	0	(790,833)
DETAILS OF WRITE-INS						
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 10 to 13 and 15 to 20, Column 2	5,610,651	2,722,685	(2,887,966)
2. Other Non-Admitted Assets:			
2.1 Bills receivable.....		0	0
2.2 Leasehold improvements.....		0	0
2.3 Cash advanced to or in hands of officers and agents.....		0	0
2.4 Loans on personal security, endorsed or not.....			0
2.5 Commuted commissions.....			0
3. Total (Lines 2.1 to 2.5)	0	0	0
4. Aggregate write-ins for other assets.....	894,132	1,019,046	124,914
5. Total (Line 1 plus Lines 3 and Line 4)	6,504,783	3,741,731	(2,763,052)
0401. Prepaid Expenses.....	341,424	439,331	97,907
0402. Goodwill.....	537,708	564,715	27,007
0403. Investment in Michigan related Health Plans.....	15,000	15,000	0
0498. Summary of remaining write-ins for Line 4 from overflow page	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	894,132	1,019,046	124,914

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	205,112	221,231	223,336	231,908	242,185	2,729,635
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	37,074	39,237	40,057	43,654	46,350	497,945
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	26,399	26,281	26,449	26,686	0	239,781
7. Total	268,585	286,749	289,842	302,248	288,535	3,467,361
DETAILS OF WRITE-INS						
0601. Medicaid.....	25,610	25,412	25,561	25,757	.0	231,871
0602. MiChild.....	789	869	888	929		7,910
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	26,399	26,281	26,449	26,686	0	239,781

NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health (the Plan) is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Spectrum, the 76% shareholder), Holland Community Hospital, Munson Healthcare and Healthshare, Inc. The Plan provides coverage for medical, hospital and other health care services to its members, who are located primarily within Michigan, through contracts executed with various health care providers. Priority Health offers health coverage to commercial subscribers as a standard health maintenance organization product or a point-of-service product.

Priority Health is the 100% owner of Priority Health Government Programs, Inc. (PHGP) an HMO established effective October 1, 2002. Priority Health is the sole owner and parent of this company and reflects the operations of this company in its own financial statements in accordance with prescribed accounting practices and procedures. Priority Health Government Programs, Inc currently has over 22,000 Medicaid and MICHild members.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of medical costs is less than budgeted levels, the providers may share in the surplus, as defined in their respective agreements, and be eligible for the return of previously withheld fees. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

Priority Health's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the Michigan Insurance Bureau. Currently, prescribed statutory accounting practices are interspersed throughout state insurance laws and regulations, the NAIC's *Accounting Practices and Procedures Manual* and a variety of other NAIC publications. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state and may change in the future.

The NAIC has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification. The revised manual became effective on January 1, 2001. Michigan has not yet adopted the provisions of the revised manual for Health Maintenance Organization (HMO) as of December 31, 2002. Codification will be transitioned into the reporting required by the State of Michigan Office of Insurance and Financial Services (OFIS) beginning January 1, 2003. HMOs including Priority Health will continue to follow previous statutory accounting practices and procedures as prescribed and permitted by the regulating authority. The revised manual will change, to some extent, prescribed statutory accounting practices and will result in changes to the accounting practices that Priority Health uses to prepare its statutory-basis financial statements. The cumulative effect of changes in accounting principles adopted to conform to the revised *Accounting Practices and Procedures Manual* will be reported as an adjustment to surplus as of the first of the period upon its adoption. Management has determined that, although the implementation of Codification will have some negative effect on Priority Health's statutory-basis capital and surplus upon its adoption. The effects include, but are not limited to, the non admission of pharmacy rebates receivables and the limitation on admitted EDP equipment. However, the Plan will remain in compliance with all regulatory and contractual obligations.

B. Use of Estimates

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.
3. Common Stocks are Not Applicable
4. Preferred Stocks are Not Applicable
5. Mortgage loans are Not Applicable
6. Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized cost.
7. The Plan uses the equity method to account for investment in and the continuing operations of the wholly owned subsidiary Priority Health Government Programs, Inc. as described in SSAP 46. Here, SSAP No. 46 is used as guidance even though Codification is not yet effective in Michigan.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. and 11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve

NOTES TO FINANCIAL STATEMENTS

estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.

2. Accounting Changes and Correction of Errors

A. Material Changes in Accounting Principles

The Plan does not have any material changes in accounting principles and/or correction of errors in the reporting period.

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has not yet adopted the provisions of the revised manual for Health Maintenance Organization (HMO). HMOs including Priority Health will continue to follow previous statutory accounting practices and procedures until the effective date of Codification, January 1, 2003. The revised manual will change, to some extent, prescribed statutory accounting practices and will result in changes to the accounting practices that Priority Health uses to prepare its statutory-basis financial statements. The Plan will continue to follow previous statutory accounting practices and procedures through the December 31, 2002 reporting date.

3. Business Combinations and Goodwill

A. Not Applicable

B. On August 6, 1999, Northmed HMO merged with Priority Health. Munson Healthcare and Healthshare, Inc upon merger owned 279 and 31 shares of Class B stock respectively. In accordance with the merger document, additional Class B stock was transferred to Munson Healthcare (additional 192 shares) and Healthshare, Inc (additional 22 shares) as contingent consideration based upon covered lives and incremental value realized in the Northern Michigan region as of December 31, 2000. From this transaction, an additional goodwill amount of \$597,416 was recorded.

C. Not Applicable

4. Discontinued Operations

The Plan has no Discontinued Operations to report.

5. Investments

A. Mortgage Loans -- Not Applicable

B. Debt Restructuring -- Not Applicable

C. Reverse Mortgages -- Not Applicable

D. Loan-backed securities --

1. The company does not have securities purchased prior to January 1, 1994.

2. Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.

3. The Plan has applied retrospective adjustment methodology to these investments.

E. Repurchase Agreements -- Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date.

8. Derivative Instruments

This note is Not Applicable to the Plan.

9. Income Taxes

The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A, B, C, D, E, F, G

The Plan has a management contract with Priority Health Managed Benefits, Inc. to provide certain management services. The management fee incurred by the Plan was \$ 43,423,000 in 2002 and \$35,180,000 in 2001, respectively.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., an organization related to the Plan through common ownership, as part of the management contract.

Premium revenues recognized from related organizations were approximately \$55,912,000 during 2002 and \$45,274,000 during 2001. Health care costs approximating \$90,300,000 in 2002 and \$83,823,000 in 2001 were provided to plan members by related organizations.

NOTES TO FINANCIAL STATEMENTS

Amounts due from affiliates of \$ 2,671,000 at December 31, 2002 and \$0 at December 31, 2001, represent receivables from affiliated hospital providers and subsidiaries. Amounts due to affiliates of \$2,405,000 at December 31, 2002 and \$731,000 at December 31, 2001, are related to amounts owed under the management agreement and contractual obligations under provider participation agreements.

Of the Plan’s 10,524 outstanding shares of stock, 8,000 shares are owned by Spectrum Health Corporation, the controlling party of a multi-facility hospital organization located in Grand Rapids, Michigan.

H--None
I---Investment in SCA does not meet criteria
J -- None

11. Debt

The Plan does not have Capital Notes nor any other type of debt, therefore, this note is Not Applicable.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

This note is Not Applicable to the Plan.

13. Capital and Surplus, Shareholder’s Dividend Restrictions, and Quasi-Reorganizations

The Plan has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 10,524 are issued and outstanding (10,000--Class A, 524--Class B). The Plan has no preferred stock outstanding. All stock is non-dividend bearing. The remainder of this note’s disclosure is Not Applicable.

14. Contingencies

- A.The Plan has committed to its wholly owned subsidiary Priority Health Government Programs, Inc., additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.
- B.Assessments are likewise Not Applicable.
- C.Gain Contingencies are Not Applicable.
- D.All Other Contingencies are Not Applicable.

15. Leases

A.Lessee Operating Lease

- 1. In the course of business, The Plan does not enter into leases directly. The Plan’s management company does lease office space, office equipment, and computer hardware/software under various operating lease agreements that expire over various periods of time. Rental expense for 2001 and 2002 was approximately \$3,902,000, and \$6,970,000, respectively. The Plan pays the management company for the fully allocated cost for these leases as described in the Management Agreement.
- 2. At January 1, 2003, the aggregate rental commitments are as follows:

Year Ending December 31 Operating Leases

1. 2003	\$2,474,641
2. 2004	\$2,589,942
3. 2005	\$2,519,975
4. 2006	\$1,371,839
5. 2007	\$1,176,501
6. 2008	\$1,176,501
- 3. The company is not involved in any sales--leaseback transactions.

B. Lessor Leases

This note is Not Applicable to the Plan.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Plan.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

18. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

This note is Not Applicable to the Plan.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Plan.

NOTES TO FINANCIAL STATEMENTS

20. September 11 Events

No direct impact to the Plan's operations has been recognized as a result of the September 11 events.

21. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

22. Events Subsequent

There are no subsequent events to report for the Plan.

23. Reinsurance

A. Not Applicable

B. Not Applicable

C. None

D. Not Applicable

E. Not Applicable

F. Not Applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

This note is Not Applicable to the Plan.

25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of activities in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were favorable by approximately \$9.4 million in 2002, reducing the prior year-end claim reserve estimates of \$57.5 million to \$48.1 million.

26. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

27. Structured Settlements

This note is Not Applicable to the Plan.

28. Health Care Receivables

As the State of Michigan has not formally adopted Codification to be effective at December 31, 2002, the required disclosures of SSAP No. 84 are not applicable at this time.

A. The Plan's method for estimating pharmacy rebates is consistent with prior years and relies on the information provided by the pharmacy rebates manager for invoiced rebates as well as the collection history of the invoiced amounts. The Plan's pharmacy rebates outstanding at December 31, 2002 is \$8,180,305.

B. This note is Not Applicable to the Plan.

29. Participating Policies

This note is Not Applicable to the Plan.

30. Premium Deficiency Reserves

The Plan does not record premium deficiency reserves in its financial statements.

31. Anticipated Salvage and Subrogation

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities	3,718,452	2.763	3,718,452	2.982
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies	14,651,644	10.885	14,651,644	11.751
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	174,566	0.130	174,566	0.140
1.43 Revenue and assessment obligations	3,348,762	2.488	3,348,762	2.686
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA		0.000		0.000
1.512 Issued by FNMA and FHLMC	5,954,145	4.424	5,954,145	4.775
1.513 Privately issued		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC	943,305	0.701	943,305	0.757
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC		0.000		0.000
1.523 All other privately issued	2,289,556	1.701	2,289,556	1.836
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	10,233,341	7.603	10,233,341	8.207
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	714,177	0.573
5.2 Property held for the production of income (includes \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (\$ including property acquired in satisfaction of debt)		0.000	0	0.000
6. Policy loans		0.000		0.000
7. Receivables for securities		0.000	0	0.000
8. Cash and short-term investments	89,764,122	66.690	79,137,817	63.469
9. Other invested assets	3,520,751	2.616	3,520,751	2.824
10. Total invested assets	134,598,644	100.000	124,686,516	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/1999
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/1999
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/29/2001
- 3.4

By what department or departments? Michigan Division of Insurance
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [] No [X]

4.12 renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes [] No [X]
- 6.2

If yes, give full information: n/a
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES
(continued)

8.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 171 Monroe Ave Suite 1000 Grand Rapids, MI 49503.....
9.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Milliman USA - Consultants and Actuaries 5800 Bluemound Rd. Suite 400 Brookfield, WI 53005.....
10.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
n/a
- 10.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?
Yes [X] No []
- 10.3

Have there been any changes made to any of the trust indentures during the year?
Yes [] No [X]
- 10.4

If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?
Yes [] No [] NA []

BOARD OF DIRECTORS

11.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes [X] No []
12.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes [X] No []
13.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or likely to conflict with the official duties of such person?.

Yes [X] No []

FINANCIAL

- 14.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11

To directors or other officers ..

\$0

14.12

To stockholders not officers ...

\$0

14.13

Trustees, supreme or grand (Fraternal only)

\$0
- 14.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21

To directors or other officers ...

\$0

14.22

To stockholders not officers

\$0

14.23

Trustees, supreme or grand (Fraternal only)

\$0
- 15.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]
- 15.2

If yes, state the amount thereof at December 31 of the current year:

15.21

Rented from others

\$0

15.22

Borrowed from others

\$0

15.23

Leased from others

\$0

15.24

Other

\$0
- Disclose in Notes to Financial Statements the nature of each of these obligations.
- 16.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]
- 16.2

If answer is yes,

16.21

Amount paid as losses or risk adjustment

\$0

16.22

Amount paid as expenses

\$0

16.23

Other amounts paid

\$0

GENERAL INTERROGATORIES
(continued)
INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited? Yes No [] [X]	6 Are Dividends Cumulative? Yes No [] [X]
Preferred	.....0	.....0	.....0.000	.....0	[] [X]	[] [X]
Common	60,000	10,524	1.000	XXX	XXX XXX	XXX XXX

18.1. Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? Yes [X] No []

18.2 If no, give full and complete information relating thereto:
n/a

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 2 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes [] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21	Loaned to others	\$0
19.22	Subject to repurchase agreements	\$0
19.23	Subject to reverse repurchase agreements	\$0
19.24	Subject to dollar repurchase agreements	\$0
19.25	Subject to reverse dollar repurchase agreements	\$0
19.26	Pledged as collateral	\$0
19.27	Placed under option agreements	\$0
19.28	Letter stock or other securities restricted as to sale ...	\$0
19.29	Other	\$0

19.3 For each category above, if any of these assets are held by others, identify by whom held:

19.31 n/a.....	19.35 n/a.....
19.32 n/a.....	19.36 n/a.....
19.33 n/a.....	19.37 n/a.....
19.34 n/a.....	19.38 n/a.....
	19.39 n/a.....

For categories (19.21) and (19.23) above, and for any other securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA []
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

21.2. If yes, state the amount thereof at December 31 of the current year. \$

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?..... Yes [] No [X]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
.....
.....

GENERAL INTERROGATORIES
(continued)
INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year?..... Yes [] No [X]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....59,830

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans.....	\$.....59,830
	\$
	\$

24.1 Amount of payments for legal expenses, if any?..... \$.....138,061

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Warner Norcross & Judd LLP.....	\$.....120,889
	\$
	\$

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$

GENERAL INTERROGATORIES
(continued)

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2

If yes, indicate premium earned on U. S. business only

\$ 0

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31 Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 0

1.6

Individual policies:

Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

\$ 0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

\$ 0

1.7

Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

\$ 0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

\$ 0

2.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

2.2

If yes, give particulars:

n/a

3.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes [X] No []

3.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No []

4.1

Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

4.2

If no, explain:

4.3

Maximum retained risk (see instructions)

4.31 Comprehensive Medical

\$ 300,000

4.32 Medical Only

\$ 300,000

4.33 Medicare Supplement

\$ 0

4.34 Dental

\$ 0

4.35 Other Limited Benefit Plan

\$ 0

4.36 Other

\$ 0

5.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HMO holds harmless provisions of provider contracts, trust indentures

6.1

Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [X] No []

6.2

If no, give details:

n/a

7.

Provide the following Information regarding participating providers:

7.1

Number of providers at start of reporting year

2,368

7.2

Number of providers at end of reporting year

2,546

8.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

8.2

If yes, direct premium earned:

8.21

Business with rate guarantees between 15-36 months

0

8.22

Business with rate guarantees over 36 months

0

9.1

Does the reporting entity have Bonus/Withhold Arrangements in its provider contract?

Yes [X] No []

9.2

If yes:

9.21

Maximum amount payable bonuses

\$4,337,000

9.22

Amount actually paid for year bonuses

\$27,722,000

9.23

Maximum amount payable withholds

\$12,126,000

9.24

Amount actually paid for year withholds

\$8,279,000

10.

List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Antrim County.....
Benzie County.....
Charlevoix County.....
Grand Traverse County.....
Kent County.....
Leelanau County.....
Manistee County.....
Montcalm County.....
Muskegon County.....
Ottawa County.....
Ionia County.....
Allegan County.....
Barry County.....
Newaygo County.....
Eaton County.....

GENERAL INTERROGATORIES

(continued)

PART 2 - HEALTH INTERROGATORIES

1 Name of Service Area
Clinton County.....
Mecosta County.....
Oceana County.....
Gratiot County.....
Lake County.....
Osceola County.....
Cheboygan County.....
Crawford County.....
Emmet County.....
Kalkaska County.....
Wexford County.....
Mason County.....

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	150,427,434	125,890,152	101,350,571	81,052,501	48,068,572
2. Total liabilities (Page 3, Line 18)	88,523,865	82,418,873	75,493,755	62,753,115	34,110,731
3. Statutory surplus	29,760,771	24,448,572	0	0	0
4. Total capital and surplus (Page 3, Line 26)	61,903,569	43,471,279	25,856,816	18,299,386	13,957,841
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	606,858,726	473,735,918	395,969,496	319,361,296	234,415,023
6. Total medical and hospital expenses (Line 17)	538,740,832	420,166,305	352,667,576	284,155,358	213,394,270
7. Total administrative expenses (Line 19)	42,956,275	37,469,528	33,849,478	30,617,492	26,015,138
8. Net underwriting gain (loss) (Line 22)	12,051,448	9,659,647	9,452,442	4,588,446	(4,994,385)
9. Net investment gain (loss) (Line 25)	3,392,800	4,097,521	3,759,023	2,450,046	1,230,998
10. Total other income (Lines 26 plus 27)	304,130	112,151	72,588	96,686	20,135
11. Net income (loss) (Line 30)	15,748,378	13,869,319	13,284,053	7,135,178	(3,743,252)
RISK - BASED CAPITAL ANALYSIS					
12. Total adjusted capital	61,903,569	43,471,279	25,856,816	18,799,386	13,957,841
13. Authorized control level risk-based capital	22,076,285	14,385,441	12,092,895	8,293,027	4,369,728
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	288,535	268,585	243,241	231,328	178,365
15. Total member months (Column 6, Line 7)	3,467,361	3,081,011	2,818,212	2,528,112	2,015,708
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Line 2, 3 and 5)					
16. Premiums earned (Line 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	88.8	88.7	89.1	89.0	91.1
18. Total underwriting deductions (Line 21)	98.0	98.0	97.7	98.5	102.2
19. Total underwriting gain (loss) (Line 22)	2.0	2.0	2.3	1.5	(2.2)
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	64,483,345	50,304,536	44,963,910	24,495,518	18,458,511
21. Estimated liability of unpaid claims – [prior year (Line 11, Col. 6)]	73,424,215	64,312,351	44,835,660	24,979,825	15,868,421

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	0	0	0	0	0
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
26. Affiliated mortgage loans on real estate		0	0	0	0
27. All other affiliated		0	0	0	0
28. Total of above Lines 22 to 27	0	0	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	14,944,697	15,311,938	15,050,151	14,450,000
	2. Canada	0	0	0	0
	3. Other Countries	0	0	0	0
	4. Totals	14,944,697	15,311,938	15,050,151	14,450,000
States, Territories and Possessions (Direct and guaranteed)	5. United States	0	0	0	0
	6. Canada	0	0	0	0
	7. Other Countries	0	0	0	0
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	174,566	174,566	174,557	175,000
	10. Canada	0	0	0	0
	11. Other Countries	0	0	0	0
	12. Totals	174,566	174,566	174,557	175,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	13,671,610	13,697,987	13,698,977	13,389,934
	14. Canada	0	0	0	0
	15. Other Countries	0	0	0	0
	16. Totals	13,671,610	13,697,987	13,698,977	13,389,934
Public Utilities (unaffiliated)	17. United States	0	0	0	0
	18. Canada	0	0	0	0
	19. Other Countries	0	0	0	0
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	12,522,899	12,676,680	12,587,270	11,881,214
	22. Canada	0	0	0	0
	23. Other Countries	0	0	0	0
	24. Totals	12,522,899	12,676,680	12,587,270	11,881,214
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	41,313,772	41,861,171	41,510,955	39,896,148
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States	0	0	0	
	28. Canada	0	0	0	
	29. Other Countries	0	0	0	
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	0	0	0	
	32. Canada	0	0	0	
	33. Other Countries	0	0	0	
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States	0	0	0	
	36. Canada	0	0	0	
	37. Other Countries	0	0	0	
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States	0	0	0	
	42. Canada	0	0	0	
	43. Other Countries	0	0	0	
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	0	0	0	
	46. Canada	0	0	0	
	47. Other Countries	0	0	0	
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	0	0	0	
	50. Canada	0	0	0	
	51. Other Countries	0	0	0	
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals	0	0	0	
	54. Total Common Stocks	0	0	0	
	55. Total Stocks	0	0	0	
	56. Total Bonds and Stocks	41,313,772	41,861,171	41,510,955	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$17,636,794 .

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	15,435,363	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3	36,561,040	6.1 Column 17, Part 1	0
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Sec. 1	0
3.1 Column 16, Part 1	(152,565)	6.3 Column 11, Part 2, Sec. 2	0
3.2 Column 12, Part 2, Sec. 1	0	6.4 Column 11, Part 4	0
3.3 Column 10, Part 2, Sec. 2	0		
3.4 Column 10, Part 4	(43,926)		
4. Total gain (loss), Col. 14, Part 4	73,656	7. Book/adjusted carrying value at end of current period	41,313,771
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4	10,559,797	8. Total valuation allowance	
		9. Subtotal (Lines 7 plus 8)	41,313,771
		10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	41,313,771

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	2	Direct Business Only			
				3	4	5	6
States, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1. Alabama	AL	No	No				
2. Alaska	AK	No	No				
3. Arizona	AZ	No	No				
4. Arkansas	AR	No	No				
5. California	CA	No	No				
6. Colorado	CO	No	No				
7. Connecticut	CT	No	No				
8. Delaware	DE	No	No				
9. District of Columbia	DC	No	No				
10. Florida	FL	No	No				
11. Georgia	GA	No	No				
12. Hawaii	HI	No	No				
13. Idaho	ID	No	No				
14. Illinois	IL	No	No				
15. Indiana	IN	No	No				
16. Iowa	IA	No	No				
17. Kansas	KS	No	No				
18. Kentucky	KY	No	No				
19. Louisiana	LA	No	No				
20. Maine	ME	No	No				
21. Maryland	MD	No	No				
22. Massachusetts	MA	No	No				
23. Michigan	MI	No	Yes	576,318,079		30,540,647	
24. Minnesota	MN	No	No				
25. Mississippi	MS	No	No				
26. Missouri	MO	No	No				
27. Montana	MT	No	No				
28. Nebraska	NE	No	No				
29. Nevada	NV	No	No				
30. New Hampshire	NH	No	No				
31. New Jersey	NJ	No	No				
32. New Mexico	NM	No	No				
33. New York	NY	No	No				
34. North Carolina	NC	No	No				
35. North Dakota	ND	No	No				
36. Ohio	OH	No	No				
37. Oklahoma	OK	No	No				
38. Oregon	OR	No	No				
39. Pennsylvania	PA	No	No				
40. Rhode Island	RI	No	No				
41. South Carolina	SC	No	No				
42. South Dakota	SD	No	No				
43. Tennessee	TN	No	No				
44. Texas	TX	No	No				
45. Utah	UT	No	No				
46. Vermont	VT	No	No				
47. Virginia	VA	No	No				
48. Washington	WA	No	No				
49. West Virginia	WV	No	No				
50. Wisconsin	WI	No	No				
51. Wyoming	WY	No	No				
52. American Samoa	AS	No	No				
53. Guam	GU	No	No				
54. Puerto Rico	PR	No	No				
55. U.S. Virgin Islands	VI	No	No				
56. Canada	CN	No	No				
57. Aggregate other alien	OT	XXX	XXX	0	0	0	0
58. Total (Direct Business)		XXX	(a) 1	576,318,079	0	30,540,647	0
DETAILS OF WRITE-INS							
5701.							
5702.							
5703.							
5798. Summary of remaining write-ins for Line 57 from overflow page				0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)				0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.:

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

